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21 May 1960

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CENTRAL INTELLIGENCE BULLETIN



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CENTRAL INTELLIGENCE BULLETIN

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DAILY BRIEF

I. THE COMMUNIST BLOC

OK

Communist China: Although Peiping is making a big show of firm support for the Soviet Union following the summit conference, a People's Daily editorial of 20 May contains some indications that the Chinese may fear that Khrushchev will not maintain, in the long run, his present uncompromising attitude toward the West. In justification of Peiping's pre-summit position, the editorial states that the outcome of the conference was no surprise to those who view the international situation correctly and are not misled by "certain superficial phenomena." The editorial suggests the Chinese probably hope to use current developments to increase their influence throughout the Communist world as the most accurate interpreters of Marxist-Leninist theory.

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II. ASIA-AFRICA

OK
India-USSR: New Delhi has announced plans to construct two additional government-owned oil refineries during the Third Five-Year Plan (1961-66). These would presumably be in addition to a previously announced medium-size refinery slated for the Bombay region. The scheduled visits to Moscow next month by President Prasad, Finance Minister Desai, and Mines and Oil Minister Malaviya are likely to result in additional assistance to the Indian petroleum industry, including an offer to construct the two new refineries. The bloc is already assisting the construction of two other refineries.

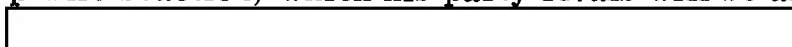
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Japan: Prime Minister Kishi is being attacked by most of the press and by leftists for alleged undemocratic and unparliamentary methods in securing lower-house approval of the US-Japan security treaty. The vote on 20 May, which overrode Socialist violence and a boycott, appears to assure final ratification by upper-house action prior to President Eisenhower's visit on 19 June. More leftist-sponsored demonstrations can be expected, and the two Socialist parties have said they will continue to boycott the Diet. Kishi's control of his party will depend on the extent and depth of adverse public reaction, which his party rivals will be alert to exploit.

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DAILY BRIEF

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NO
South Korea: The proffered resignation of South Korean Army Chief of Staff Lt. Gen. Song Yo-chan could adversely affect South Korean military capabilities if it leads to a rash of resignations and retirements by able senior officers. Song's resignation may have been prompted by a desire to save the prestige he gained as a result of the army's restrained role in the disturbances that toppled Rhee from power. Song would be vulnerable to criticism for the significant role he played in delivering the soldiers' vote to the Rhee regime in the 15 March elections.

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III. THE WEST

OK
Cuba: The Castro government on 18 May ordered that each refinery in Cuba for the rest of this year must purchase approximately 300,000 tons of Soviet crude oil, now arriving under the Cuban-Soviet trade agreement. This affects three large refineries--Esso, Texaco, and Shell--which produce about 95 percent of Cuba's refined petroleum products. Cuban controls on US dollar remittances have been tying up the funds of the oil companies, and the Castro regime is using this form of pressure to make the companies purchase the Soviet crude for refining. Relations between the Castro regime and the government of Venezuela--Cuba's chief source of petroleum--are likely to be further alienated by Cuban purchase of competitive Soviet oil.

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DAILY BRIEF

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LATE ITEMS

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*USSR: The main purpose of Khrushchev's speech in East Berlin on 20 May probably was to provide assurances that despite the collapse of the summit conference and his clear intention to maintain harsh attacks on the United States, the USSR does not plan to abandon its peaceful coexistence line or revert to a hard, "Stalinist" posture toward the non-Communist world. Khrushchev appears anxious to demonstrate that his detente policy continues to be valid and justified. Although the Soviet premier claimed that the breakdown of the Paris meeting has given the Soviet Union and its allies a "moral right" to proceed without further delay with a separate peace treaty with East Germany, he stated that the "status quo" with regard to a German treaty and West Berlin will be maintained until another heads-of-government meeting takes place, which he "assumes" will be in six to eight months. Khrushchev's relatively moderate line in this speech will displease any critics in the Communist world who had opposed his peaceful coexistence diplomacy and had interpreted his performance in Paris as foreshadowing abandonment of this line.

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Peiping Vindicates Its Interpretation of US Motives

Despite Peiping's major demonstrations of "firm support" for the Soviet Union following the summit conference, the Chinese are taking advantage of the conference breakdown to vindicate their views against accommodation with the West. A People's Daily editorial of 20 May states that the outcome of the conference was no surprise to those who view the international situation correctly and are not misled by "certain superficial phenomena."

The Chinese had maintained all along that there had been no real change in the American attitude toward the Communist world and that the principal task of the bloc was therefore to expose the false nature of American peace gestures. A few days before the summit meeting was to convene, Mao Tse-tung had implicitly criticized Khrushchev for having "illusions" about "US imperialism."

The 20 May editorial contains some indications that the Chinese may fear that Khrushchev will not maintain, in the long run, his present uncompromising attitude toward the West. In this connection, the editorial assesses the summit breakdown as "helpful" because it "laid bare" the "ferocious" features of "US imperialism" and calls, as did the Chinese in the pre-summit period, for further exposure of the United States.

By emphasizing that the Chinese were right and Khrushchev wrong, the editorial suggests the Chinese probably hope to use present developments to increase their influence throughout the Communist world as the most accurate interpreters of Marxist-Leninist theory.

That Moscow now is on the defensive can be seen in Soviet Ambassador Chervonenko's speech at a rally in Peiping on 20 May. "Like other people," he said, "the Soviet people have never deceived themselves with illusions and have always remembered the imperialist intrigues." On the contrary, People's Daily said on the same day, events of the past few days prove misguided those who had naively thought that imperialism could be dealt with.

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II. ASIA-AFRICA

Planned New Indian Refineries May Receive Soviet Assistance

New Delhi has announced its intention to construct two additional oil refineries during the Third Five-Year Plan (1961-66). The location and the financing arrangements for these new government-owned projects were not made public. They would presumably be in addition to a medium-size refinery in the Cambay region near Bombay for which plans were announced in April. Promising oil strikes were recently made in that area by bloc technicians under contract to the Indian Government.

Scheduled visits to Moscow in June by three Indian delegations led by President Prasad, Finance Minister Desai, and particularly K. D. Malaviya, Indian minister for mines and oil, will afford the Soviet Union an opportunity to expand its dominant position in India's oil industry by making further offers of assistance. Moscow is likely to offer to aid in the construction of the two new refineries and may also propose further Indo-Soviet collaboration in the petroleum industry.

India will receive some Soviet-refined POL products this year under terms of the current Indo-Soviet trade agreement. Moreover, Moscow has recently offered "unlimited" quantities of crude oil, at discount and for rupee payment--a proposal which the Indians will be able fully to utilize only when they possess their own refineries. In addition, the USSR and Rumania are assisting the Indians in construction of two other refineries in eastern India for processing Indian crude oil; aid thus far committed to these projects amounts to \$40,000,000, about 5 percent of total bloc aid to India.

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Japanese Reaction to Security Treaty Vote

Most major Japanese newspapers are accusing Prime Minister Kishi of violating democratic and parliamentary principles in forcing lower-house approval of the US-Japanese security treaty on 20 May. One paper, however, stressed Japan's need for such a treaty under present world conditions, and another paper criticized the opposition Socialists for their resort to violence prior to the vote.

The two Socialist parties are claiming that passage of the treaty was illegal and invalid and are now boycotting the Diet session. The governing Liberal Democrats, although they have enough seats to conduct parliamentary business without the Socialists, are almost certain to undertake negotiations with them in an effort to end the boycott and return to normal procedures.

A demonstration led by extreme leftist students broke out in the vicinity of the Diet soon after the treaty vote, and some students forced entry into the grounds of Kishi's official residence. More leftist-sponsored demonstrations can be expected, although previous extremist efforts have failed to attract popular support.

The lower-house vote appears to assure final ratification of the security pact before President Eisenhower's visit on 19 June. The treaty has been referred to the upper house and, even if this body fails to vote, approval will be automatic after 30 days. A 50-day extension of the Diet session assures the necessary time period.

Some Japanese political observers believe that Kishi's chances for winning a third term as president of the government party in January 1961 have been weakened by the steps taken to obtain approval of the treaty. They note that several of his party rivals, including Ichiro Kono, absented themselves during the vote. While Kishi's rivals will be alert to exploit any adverse public reaction, his control of the party will depend on the extent and depth of such popular sentiment.

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III. THE WEST

American Refineries in Cuba Ordered to Process Soviet Crude Oil

On 18 May, the Castro regime notified officials of the Texaco refinery in Cuba that for the rest of this year each refinery in the country must accept approximately 300,000 tons of Soviet crude oil, which has begun to arrive in Cuba under the Cuban-Soviet trade agreement signed in February. This will affect the three refineries--Texaco, Esso, and Shell--which together produce over 95 percent of the petroleum products refined in Cuba. These companies have some \$40,000,000 worth of outstanding requests for dollar remittances which the Cuban National Bank has not yet approved. Cuban controls on US dollar remittances have been tying up the funds of the refineries, and the Castro regime evidently is using this form of pressure in an effort to make the companies accept Soviet crude. Soviet crude is received by Cuba under a barter arrangement, and the refineries would not be required to pay for it in foreign exchange.

Official Venezuelan relations with the Castro government, which have grown increasingly cool in recent weeks, are likely to be further alienated by Cuban purchases of competitive Soviet oil. In 1958, Venezuela exported about 75,000 barrels a day of oil and refined products to Cuba, about 8 percent of which presumably will now be supplied by the USSR. In a front-page editorial, one prominent anti-Castro Venezuelan newspaper recently condemned the Soviet-Cuban oil arrangements. Venezuela is also facing a potential loss to the USSR of a portion of its market for petroleum in two other Latin American nations--Uruguay and Brazil.

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LATE ITEM

Khrushchev's Speech in East Berlin

Khrushchev used his speech in East Berlin on 20 May as the occasion for his first major foreign policy statement since the collapse of the summit meeting. His main purpose probably was to provide assurances that he does not intend to abandon his peaceful coexistence line or revert to a hard, "Stalinist" posture toward the non-Communist world.

Despite his clear intention to mount an all-out propaganda campaign to discredit and isolate the United States on the issue of "aggressive and provocative actions" toward the USSR, Khrushchev apparently hopes to salvage as much of his detente policy as possible. He stated that he assumes that another heads-of-government meeting will take place in six to eight months, and declared

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that the USSR will do nothing in the interim that might "aggravate the international situation and take us back to the dark time of the cold war."

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On the key issue of Berlin, Khrushchev said he had reached agreement with East German leaders that, since a summit meeting will be held in six to eight months, no unilateral moves would be taken until a further effort can be made to reach agreement with the three Western powers on a peace treaty with the two German states. Although he claimed that the breakdown of the Paris meeting has given the USSR and its allies a "moral right" to proceed without further delay with a separate treaty with East Germany, he pledged that the status quo will be maintained until a summit meeting convenes. This commitment, however, was made conditional on the Western powers' willingness to avoid "any unilateral steps" which would prevent such a meeting in six to eight months.

The line Khrushchev took in this speech suggests that he feels under the necessity of demonstrating that his detente policy in recent months was right and justified and is still valid. He recalled that after returning from his visit to the United States he had pointed

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out that President Eisenhower was in a "difficult position" as a result of a "hidden" struggle in the United States between the "forces of the cold war" and the "advocates of peaceful coexistence." He observed that he had recognized such "alarm signals" long before the summit meeting and implied that the U-2 incident resulted from the victory of the "cold war forces."

Khrushchev's relatively moderate tone in outlining his future course of action will displease any critics in the Communist world who had opposed his peaceful coexistence diplomacy and had interpreted his performance in Paris as foreshadowing a complete abandonment of this line.

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